

**Assembly Bill No. 1509**

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Passed the Assembly June 22, 2000

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*Chief Clerk of the Assembly*

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Passed the Senate June 22, 2000

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*Secretary of the Senate*

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This bill was received by the Governor this \_\_\_\_\_ day  
of \_\_\_\_\_, 2000, at \_\_\_\_\_ o'clock \_\_\_\_M.

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*Private Secretary of the Governor*



## CHAPTER \_\_\_\_\_

An act to amend Sections 22008, 22102, 22105, 22107, 22108, 22132, 22140, 22161.5, 22304, 22309, 22453, 22651, 22652, 22655, 22656, 22658, 22659, 22660, 22661, 22662, 22664, 22665, 22706, 23100, 24202.5, 24206, 24402, 24411, 24412, 24415, 24417, and 24600 of, to amend and renumber Sections 25000, 25100, 25110, 25115, 25120, and 25125 of, to add Sections 22101.5, 22104.7, 22104.9, 22105.5, 22122.7, 22127.2, 22133.5, 22139.5, 22146.7, 22156.05, 22166.5, 22176, 22302, 22311.5, 22311.7, 24300.5, and 24305.3 to, to add Chapter 38 (commencing with Section 25000) to Part 13 of Division 1 of Title 1 of, to add and repeal Section 22901.5, and to repeal and add Sections 22162, 22311, 22460, 22906, 23300, and 23881 of, the Education Code, relating to state teachers' retirement.

## LEGISLATIVE COUNSEL'S DIGEST

AB 1509, Machado. State teachers' retirement: Defined Benefit Supplement Program.

The Teachers' Retirement Law establishes the Defined Benefit Program, which provides specified service and disability retirement benefits to members, and requires those members and their employers to make specified contributions to the Teachers' Retirement Fund for that purpose.

This bill would establish the Defined Benefit Supplement Program, as specified, pursuant to which members of the Defined Benefit Program would receive supplemental retirement, disability, final, or termination benefits, payable in a lump-sum or annuity, as specified. The bill would require 25% of each member's contributions to the Teachers' Retirement Fund to be allocated to the program for a specified period and would make related technical and conforming changes.



*The people of the State of California do enact as follows:*

SECTION 1. Section 22008 of the Education Code is amended to read:

22008. For the purposes of payments into or out of the retirement fund for adjustments of errors or omissions with respect to the Defined Benefit Program or the Defined Benefit Supplement Program, the period of limitation of actions shall be applied, except as provided in Sections 23302 and 24613, as follows:

(a) No action may be commenced by or against the board, the system, or the plan more than three years after all obligations to or on behalf of the member, former member, beneficiary, or annuity beneficiary have been discharged.

(b) If the system makes an error that results in incorrect payment to a member, former member, beneficiary, or annuity beneficiary, the system's right to commence recovery shall expire three years from the date the incorrect payment was made.

(c) If an incorrect payment is made due to lack of information or inaccurate information regarding the eligibility of a member, former member, beneficiary, or annuity beneficiary to receive benefits under the Defined Benefit Program or Defined Benefit Supplement Program, the period of limitation shall commence with the discovery of the incorrect payment.

(d) Notwithstanding any other provision of this section, if an incorrect payment has been made on the basis of fraud or intentional misrepresentation by a member, beneficiary, annuity beneficiary, or other party in relation to or on behalf of a member, beneficiary, or annuity beneficiary, the three-year period of limitation shall not be deemed to commence or to have commenced until the system discovers the incorrect payment.

(e) The collection of overpayments under subdivisions (b), (c), and (d) shall be made pursuant to Section 24617.

SEC. 2. Section 22102 of the Education Code is amended to read:



22102. “Accumulated retirement contributions” means the sum of the member contributions, the member contributions picked up by an employer pursuant to Sections 22903 and 22904, and credited interest on those contributions. Accumulated retirement contributions shall not include accumulated annuity deposit contributions, accumulated tax-sheltered annuity contributions, accumulated Defined Benefit Supplement contributions, or additional earnings credit.

SEC. 3. Section 22101.5 is added to the Education Code, to read:

22101.5. “Accumulated Defined Benefit Supplement account balance” means an amount equal to the sum of member contributions, the member contributions picked up by an employer, employer contributions, and interest credited on those contributions pursuant to Section 25005, that are credited by the system to the member’s Defined Benefit Supplement account.

SEC. 4. Section 22104.7 is added to the Education Code, to read:

22104.7. “Additional earnings credit” means an amount derived from investment income for the plan year as determined by the board by plan amendment and added to members’ Defined Benefit Supplement accounts in addition to the amount credited at the minimum interest rate for that plan year.

SEC. 5. Section 22104.9 is added to the Education Code, to read:

22104.9. “Annuitant Reserve” means a segregated account within the retirement fund established and maintained for expenditure on annuities payable under the Defined Benefit Supplement Program.

SEC. 6. Section 22105 of the Education Code is amended to read:

22105. (a) “Annuity,” with respect to the Defined Benefit Program, means payments for life derived from the “accumulated annuity deposit contributions” of a member.

(b) “Annuity,” with respect to the Defined Benefit Supplement Program, means an alternative payment



arrangement wherein a benefit based on the balance of credits in a member's Defined Benefit Supplement account is paid monthly rather than in a lump-sum.

SEC. 7. Section 22105.5 is added to the Education Code, to read:

22105.5. "Annuity beneficiary" means the person or persons designated by a member pursuant to Section 25011 or 25018 to receive an annuity under the Defined Benefit Supplement Program upon the member's death.

SEC. 8. Section 22107 of the Education Code is amended to read:

22107. (a) "Beneficiary," with respect to the Defined Benefit Program, means any person or entity receiving or entitled to receive an allowance or lump-sum payment under the Defined Benefit Program because of the disability or death of a member.

(b) "Beneficiary," with respect to the Defined Benefit Supplement Program, means any person or entity receiving or entitled to receive a final benefit under the Defined Benefit Supplement Program upon the death of a member.

SEC. 9. Section 22108 of the Education Code is amended to read:

22108. (a) "Benefit" or "benefits," with respect to the Defined Benefit Program, means any monthly payment due a retired member, disabled member, or beneficiary, and includes lump-sum payments due on account of death.

(b) "Benefit" and "benefits," with respect to the Defined Benefit Supplement Program, means an amount equal to the balance of credits in a member's Defined Benefit Supplement account.

SEC. 10. Section 22122.7 is added to the Education Code, to read:

22122.7. "Defined Benefit Supplement contributions" means member contributions and employer contributions that are credited by the system to the member's Defined Benefit Supplement account pursuant to Section 25004.



SEC. 11. Section 22127.2 is added to the Education Code, to read:

22127.2. “Disability benefit” means the amount payable under the Defined Benefit Supplement Program based on the balance of credits in a member’s Defined Benefit Supplement account to either a disabled member pursuant to Section 24005 or to a member who retired for disability pursuant to Section 24105.

SEC. 12. Section 22132 of the Education Code is amended to read:

22132. “Employed” or “employment” means employment to perform creditable service subject to coverage under the Defined Benefit Program or the Defined Benefit Supplement Program, except as otherwise specifically provided under this part.

SEC. 13. Section 22133.5 is added to the Education Code, to read:

22133.5. “Final benefit” means the amount payable to a beneficiary under the Defined Benefit Supplement Program upon the death of the member.

SEC. 14. Section 22139.5 is added to the Education Code, to read:

22139.5. “Gain and Loss Reserve” means a segregated account within the retirement fund that is established and maintained to do either of the following:

(a) Credit interest to members’ Defined Benefit Supplement accounts at the minimum interest rate for plan years in which the board determines that the obligation cannot be met from the plan’s investment earnings with respect to the Defined Benefit Supplement Program.

(b) Provide additions to the Annuitant Reserve to meet the plan’s obligation for annuities payable under the Defined Benefit Supplement Program.

SEC. 15. Section 22140 of the Education Code is amended to read:

22140. (a) “Improvement factor,” with respect to the Defined Benefit Program, means an increase of 2 percent in monthly allowances. The improvement factor shall be added to a monthly allowance each year on



September 1, commencing on September 1 following the first anniversary of the effective date of retirement, or the date on which the monthly allowance commenced to accrue to any beneficiary, or other periods specifically stated in this part.

(b) “Improvement factor,” with respect to the Defined Benefit Supplement Program, means an increase of 2 percent in monthly annuities. The improvement factor shall be added to a monthly annuity each year on September 1, commencing on the September 1 following the first anniversary of the date the annuity first became payable.

(c) The improvement factor shall not be compounded nor shall it be applicable to annuities payable from the accumulated annuity deposit contributions or the accumulated tax-sheltered annuity contributions. The Legislature reserves the right to adjust the amount of the improvement factor up or down as economic conditions dictate. No adjustments of the improvement factor shall reduce the monthly retirement allowance or annuity below that which would be payable to the recipient under this part had this section not been enacted.

SEC. 16. Section 22146.7 is added to the Education Code, to read:

22146.7. “Minimum interest rate” means the annual interest rate determined by the board by plan amendment at which interest shall be credited to Defined Benefit Supplement accounts for a plan year.

SEC. 17. Section 22156.05 is added to the Education Code, to read:

22156.05. “Plan year” means the period of time beginning on July 1 of one calendar year and ending on June 30 of the following calendar year. For purposes of the Defined Benefit Supplement Program, the board shall designate by plan amendment the initial plan year.

SEC. 18. Section 22161.5 of the Education Code is amended to read:

22161.5. “Refund” means the lump-sum return of a member’s accumulated retirement contributions under the Defined Benefit Program and does not include



accumulated contributions credited to the Defined Benefit Supplement Program.

SEC. 19. Section 22162 of the Education Code is repealed.

SEC. 20. Section 22162 is added to the Education Code, to read:

22162. “Regular interest” means interest that is compounded annually based on the annual equivalent of the prior year’s average yield to maturity on the investment-grade fixed income securities attributable to the Defined Benefit Program, but not on assets attributable to the Defined Benefit Supplement Program. The regular interest rate shall be adopted annually by the board as a plan amendment with respect to the Defined Benefit Program.

SEC. 21. Section 22166.5 is added to the Education Code, to read:

22166.5. “Retirement benefit” means the amount payable under the Defined Benefit Supplement Program, based on the balance of credits in the member’s Defined Benefit Supplement account, to a member who has retired for service under the Defined Benefit Program.

SEC. 22. Section 22176 is added to the Education Code, to read:

22176. “Termination benefit” means a benefit equal in amount to the balance of credits in the member’s Defined Benefit Supplement account that is payable to the member in a lump-sum when the member has terminated all employment to perform creditable service subject to coverage by the plan.

SEC. 23. Section 22302 is added to the Education Code, to read:

22302. The board may contract with a qualified third-party administrator for custodial, record keeping, or other administrative services necessary to carry into effect the provisions of Chapter 38 (commencing with Section 25000) of this part or Part 14.

SEC. 24. Section 22304 of the Education Code is amended to read:



22304. (a) The costs of administration of the plan shall be paid from the retirement fund and those costs may not exceed the amount made available by law during any fiscal period.

(b) The administrative costs of the plan shall be divided proportionately in accordance with the assets of the Defined Benefit Program, the Defined Benefit Supplement Program, and the Cash Balance Benefit Program.

SEC. 25. Section 22309 of the Education Code is amended to read:

22309. (a) The board shall issue to each active and inactive member, no less frequently than annually after the close of the school year, a statement of the member's individual Defined Benefit Program and Defined Benefit Supplement accounts, provided the employer or member has informed the system of the member's current mailing address.

(b) The board shall periodically make a good faith effort to locate inactive members to provide these members with information concerning any benefit for which they may be eligible.

SEC. 26. Section 22311 of the Education Code is repealed.

SEC. 27. Section 22311 is added to the Education Code, to read:

22311. The board shall maintain all data necessary to perform an actuarial investigation of the demographic and economic experience of the plan and for the actuarial valuation of the assets and liabilities of the plan.

SEC. 28. Section 22311.5 is added to the Education Code, to read:

22311.5. The board shall acquire the services of an actuary to do all of the following:

(a) Make recommendations to the board for the adoption of actuarial assumptions that, in the aggregate, are reasonably related to the past experience of the plan and reflect the actuary's informed estimate of the future experience.



(b) Make an actuarial investigation of the demographic and economic experience, including the mortality, service, and other experience, of the plan with respect to members and beneficiaries of the Defined Benefit Programs; members, beneficiaries, and annuity beneficiaries of the Defined Benefit Supplement Program; and participants and beneficiaries of the Cash Balance Benefit Program.

(c) Make an annual actuarial review of the goals regarding the sufficiency of the Gain and Loss Reserves with respect to the Defined Benefit Supplement Program and the Cash Balance Benefit Program and recommend to the board the goal for maintaining sufficient Gain and Loss Reserves for the Defined Benefit Supplement Program and the Cash Balance Benefit Program.

(d) Recommend to the board the amount, if any, to be transferred to the separate Gain and Loss Reserves from the investment earnings of the plan with respect to the Defined Benefit Supplement Program and the Cash Balance Benefit Program.

(e) At least once every six years with respect to the Defined Benefit Program and annually with respect to the Defined Benefit Supplement Program and the Cash Balance Benefit Program, using actuarial assumptions adopted by the board, perform an actuarial valuation of the plan that identifies the assets and liabilities of the plan, and report the findings to the board. The report of the actuary on the results of the actuarial valuation shall identify and include the components of normal cost and adequate information to determine the effects of changes in actuarial assumptions. Copies of the report on the actuarial valuation shall be transmitted to the Governor and to the Legislature.

(f) Recommend to the board all rates and factors necessary to administer the plan, including, but not limited to, mortality tables, annuity factors, interest rates, and additional earnings credits.

(g) Recommend to the board a strategy for amortizing any unfunded actuarial obligation.



(h) As requested by the board, perform any other actuarial services that may be required for administration of the plan.

SEC. 29. Section 22311.7 is added to the Education Code, to read:

22311.7. Upon the basis of the actuarial investigation and actuarial valuation pursuant to Section 22311.5, or any part thereof, the board shall adopt by plan amendment actuarial assumptions, rates, factors, and tables as the board determines are necessary for administration of the plan and its programs.

SEC. 30. Section 22453 of the Education Code is amended to read:

22453. (a) Except as provided in Section 22454, the signature of the spouse of a member shall be required on any application for, or cancellation of, an unmodified allowance; any application for, or cancellation of, an annuity or termination benefit under the Defined Benefit Supplement Program; the election, change, or cancellation of an option; or any request for a refund of the member's accumulated retirement contributions or accumulated annuity deposit contributions, or any other requests related to the selection of benefits by a member in which a spousal interest may be present, unless the member declares, in writing, under penalty of perjury, that one of the following conditions exists:

(1) The member does not know, and has taken all reasonable steps to determine, the whereabouts of the spouse.

(2) The spouse is incapable of executing the acknowledgment because of an incapacitating mental or physical condition.

(3) The member and spouse have executed a marriage settlement agreement pursuant to Part 5 (commencing with Section 1500) of Division 4 of the Family Code that makes the community property law inapplicable to the marriage.

(4) The member is not married.

(5) The current spouse has no identifiable community property interest in the benefit.



(b) This section is not applicable to an application for a disability allowance.

(c) The sole purpose of this section is to provide for spousal protection in the selection of specified benefits made by a member.

SEC. 31. Section 22460 of the Education Code is repealed.

SEC. 32. Section 22460 is added to the Education Code, to read:

22460. (a) If a member terminates employment with less than five years of credited service, the employer shall notify the member of the following:

(1) That unless the member is eligible, or becomes eligible in the future, for concurrent retirement pursuant to paragraph (2) of subdivision (a) of Section 24201, the member is eligible only for a refund of accumulated retirement contributions and the return of an amount equal to the balance of credits in the member's Defined Benefit Supplement account.

(2) The current rate of interest that shall be earned on accumulated retirement contributions that are not refunded and the current minimum interest rate that shall be applied to the balance of credits in the member's Defined Benefit Supplement account.

(3) Actions that may be taken by the board if accumulated retirement contributions are not refunded and an amount equal to the balance of credits in the member's Defined Benefit Supplement account are not returned.

(b) Employers shall transmit to a member who terminates employment with less than five years of credited service the information specified in subdivision (a) as part of the usual separation documents.

SEC. 33. Section 22651 of the Education Code is amended to read:

22651. For purposes of this chapter and Section 23300, "nonmember spouse" means a member's spouse or former spouse who is being or has been awarded a community property interest in the service credit, accumulated retirement contributions, accumulated



Defined Benefit Supplement account balance, or benefits of the member under this part. A nonmember spouse who is awarded a separate account of service credit and accumulated retirement contributions, who is awarded a separate account based on the balance of credits in the member's Defined Benefit Supplement account, who receives a retirement allowance or retirement annuity under this part, or who is awarded an interest in a member's retirement allowance or retirement annuity under this part is not a member.

SEC. 34. Section 22652 of the Education Code is amended to read:

22652. (a) Upon the legal separation or dissolution of marriage of a member, other than a retired member, the court shall include in the judgment or a court order the date on which the parties separated.

(b) The court may order in the judgment or court order that the accumulated retirement contributions and service credit or an amount equal to the balance of credits in the member's Defined Benefit Supplement account under this part that are attributable to periods of service during the marriage be divided into two separate and distinct accounts in the name of the member and the nonmember spouse, respectively. Any service credit, accumulated retirement contributions, or amount equal to the balance of credits in the member's Defined Benefit Supplement account under this part that are not explicitly awarded by the judgment or court order shall be deemed the exclusive property of the member under the Defined Benefit Program or the Defined Benefit Supplement Program.

(c) The determination of the court of community property rights pursuant to this section shall be consistent with this chapter and shall address the rights of the nonmember spouse under this part, including, but not limited to, the following:

(1) The right to a retirement allowance and, if applicable, a retirement annuity.

(2) The right to a refund of accumulated retirement contributions and the lump-sum payment of an amount



equal to the balance of credits in the member's Defined Benefit Supplement account that were awarded to the nonmember spouse.

(3) The right to redeposit accumulated retirement contributions previously refunded to the member which the member is eligible to redeposit pursuant to Sections 23200 to 23203, inclusive, and shall specify the shares of the redeposit amount awarded to the member and the nonmember spouse.

(4) The right to purchase additional service credit that the member is eligible to purchase pursuant to Sections 22800 to 22810, inclusive, and shall specify the shares of the additional service credit awarded to the member and the nonmember spouse.

SEC. 35. Section 22655 of the Education Code is amended to read:

22655. (a) Upon the legal separation or dissolution of marriage of a retired member, the court may include in the judgment or court order a determination of the community property rights of the parties in the retired member's retirement allowance and, if applicable, retirement annuity under this part consistent with this section. Upon election under subparagraph (B) of paragraph (3) of subdivision (a) of Section 2610 of the Family Code, the court order awarding the nonmember spouse a community property share in the retirement allowance or retirement annuity, or both, of a retired member shall be consistent with this section.

(b) If the court does not award the entire retirement allowance or retirement annuity under this part to the retired member and the retired member is receiving a retirement allowance that has not been modified pursuant to Section 24300, or a single life annuity pursuant to Section 25011 or 25018, the court shall require only that the system pay the nonmember spouse, by separate warrant, his or her community property share of the retired member's retirement allowance or retirement annuity, or both, under this part.

(c) If the court does not award the entire retirement allowance or retirement annuity under this part to the



retired member and the retired member is receiving an allowance that has been actuarially modified pursuant to Section 24300, or a joint and survivor annuity pursuant to Section 25011 or 25018, the court shall order only one of the following:

(1) The retired member shall maintain the retirement allowance or retirement annuity, or both, under this part without change.

(2) The retired member shall cancel the option that modified the retirement allowance under this part pursuant to Section 24305 and select a new joint and survivor option or a new beneficiary or both, and the system shall pay the nonmember spouse, by separate warrant, his or her community property share of the retirement allowance under this part of the retired member, the option beneficiary, or both.

(3) The retired member shall cancel the joint and survivor annuity under which the retirement annuity is being paid pursuant to Section 24305.5, and select a new joint and survivor annuity or a new annuity beneficiary or both, and the system shall pay the nonmember spouse, by separate warrant, his or her community property share of the retirement annuity payable to the retired member, the annuity beneficiary, or both.

(4) The retired member shall take the action specified in both paragraphs (2) and (3).

(5) The retired member shall cancel the option that modified the retirement allowance under this part pursuant to Section 24305 and select an unmodified retirement allowance and the system shall pay the nonmember spouse, by separate warrant, his or her community property share of the retired member's retirement allowance under this part.

(6) The retired member shall cancel the joint and survivor annuity under which the retirement annuity is being paid pursuant to Section 24305.5, and select a single life annuity, and the system shall pay the nonmember spouse, by separate warrant, his or her community property share of the retirement annuity payable to the retired member.



(7) The retired member shall take the action specified in both paragraphs (5) and (6).

(d) If the option beneficiary or annuity beneficiary or both under this part, other than the nonmember spouse, predeceases the retired member, the court shall order the retired member to select a new option beneficiary pursuant to Section 24306, or a new annuity beneficiary pursuant to Section 24305.3 and shall order the system to pay the nonmember spouse, by separate warrant, his or her share of the community property interest in the retirement allowance or retirement annuity or both under this part of the retired member or the new option beneficiary or annuity beneficiary or each of them.

(e) The right of the nonmember spouse to receive his or her community property share of the retired member's retirement allowance or retirement annuity or both under this section shall terminate upon the death of the nonmember spouse. However, the nonmember spouse may designate a beneficiary under the Defined Benefit Program and a payee under the Defined Benefit Supplement Program to receive his or her community property share of the retired member's accumulated retirement contributions and accumulated Defined Benefit Supplement account balance under this part in the event that there are remaining accumulated retirement contributions and a balance in the member's Defined Benefit Supplement account to be paid upon the death of the nonmember spouse.

SEC. 36. Section 22656 of the Education Code is amended to read:

22656. No judgment or court order issued pursuant to this chapter is binding on the system with respect to the Defined Benefit Program or the Defined Benefit Supplement Program until the system has been joined as a party to the action and has been served with a certified copy of the judgment or court order.

SEC. 37. Section 22658 of the Education Code is amended to read:



22658. (a) A separate account awarded to a nonmember spouse pursuant to Section 22652 shall be administered independently of the member's account.

(b) An accumulated Defined Benefit Supplement account balance, accumulated retirement contributions, service credit, and final compensation attributable to a separate account of a nonmember spouse under this part shall not be combined in any way or for any purpose with the accumulated Defined Benefit Supplement account balance, accumulated retirement contributions, service credit, and final compensation of any other separate account of the nonmember spouse.

(c) An accumulated Defined Benefit Supplement account balance, accumulated retirement contributions, service credit, and final compensation attributable to the separate account of a nonmember spouse shall not be combined in any way or for any purpose with the accumulated Defined Benefit Supplement account balance, accumulated retirement contributions, service credit, and final compensation of an account that exists under this part because the nonmember spouse is employed or has been employed to perform creditable service subject to coverage under the Defined Benefit Program or the Defined Benefit Supplement Program.

SEC. 38. Section 22659 of the Education Code is amended to read:

22659. Upon being awarded a separate account or an interest in the retirement allowance or retirement annuity of a retired member under this part, a nonmember spouse shall provide the system with proof of his or her date of birth, social security number, and any other information requested by the system, in the form and manner requested by the system.

SEC. 39. Section 22660 of the Education Code is amended to read:

22660. (a) The nonmember spouse who is awarded a separate account under this part shall have the right to designate, pursuant to Sections 23300 to 23304, inclusive, a beneficiary or beneficiaries to receive the accumulated retirement contributions under the Defined Benefit



Program and to designate a payee to receive the accumulated Defined Benefit Supplement account balance under the Defined Benefit Supplement Program remaining in the separate account of the nonmember spouse on his or her date of death, and any accrued allowance or accrued Defined Benefit Supplement annuity under this part attributable to the separate account of the nonmember spouse which is unpaid on the date of the death of the nonmember spouse.

(b) This section shall not be construed to provide the nonmember spouse with any right to elect to modify a retirement allowance under Section 24300 or to elect a joint and survivor annuity under the Defined Benefit Supplement Program.

SEC. 40. Section 22661 of the Education Code is amended to read:

22661. (a) The nonmember spouse who is awarded a separate account under this part shall have the right to a refund of the accumulated retirement contributions in the account, and a lump-sum payment of the balance of credits in the Defined Benefit Supplement account, of the nonmember spouse under this part.

(b) The nonmember spouse shall file an application on a form provided by the system to obtain a refund or lump-sum payment.

(c) The refund and lump-sum payment under this part are effective when the system deposits in the United States mail an initial warrant drawn in favor of the nonmember spouse and addressed to the latest address for the nonmember spouse on file in the system. If the nonmember spouse has elected on a form provided by the system to transfer all or a specified portion of the accumulated retirement contributions or the accumulated Defined Benefit Supplement account balance that are eligible for direct trustee-to-trustee transfer to the trustee of a qualified plan under Section 402 of the Internal Revenue Code of 1986 (26 U.S.C.A. Sec. 402), deposit in the United States mail of a notice that the requested transfer has been made constitutes a return of the nonmember spouse's accumulated retirement



contributions or accumulated Defined Benefit Supplement account balance.

(d) The nonmember spouse is deemed to have permanently waived all rights and benefits pertaining to the service credit, accumulated retirement contributions, and the accumulated Defined Benefit Supplement account balance under this part when the refund and lump-sum payment become effective.

(e) The nonmember spouse may not cancel a refund or lump-sum payment under this part after it is effective.

(f) The nonmember spouse shall have no right to elect to redeposit the refunded accumulated retirement contributions under this part after the refund is effective, to redeposit under Section 22662 or purchase additional service credit under Section 22663 after the refund becomes effective, or to redeposit the accumulated Defined Benefit Supplement account balance after the lump-sum payment becomes effective.

(g) If the total service credit in the separate account of the nonmember spouse under this part, including service credit purchased under Sections 22662 and 22663, is less than two and one-half years, the board shall refund the accumulated retirement contributions in the account.

SEC. 41. Section 22662 of the Education Code is amended to read:

22662. The nonmember spouse who is awarded a separate account under this part may redeposit accumulated retirement contributions previously refunded to the member in accordance with the determination of the court pursuant to Section 22652.

(a) The nonmember spouse may redeposit under this part only those accumulated retirement contributions that were previously refunded to the member and in which the court has determined the nonmember spouse has a community property interest.

(b) The nonmember spouse shall inform the system in writing of his or her intent to redeposit within 180 days after the judgment or court order addressing the redeposit rights of the nonmember spouse is entered. The



nonmember spouses' election to redeposit shall be made on a form provided by the system within 30 days after the system mails an election form and the billing.

(c) If the nonmember spouse elects to redeposit under this part, he or she shall repay the portion of the member's refunded accumulated retirement contributions that were awarded to the nonmember spouse and shall pay regular interest from the date of the refund to the date of payment.

(d) An election to redeposit shall be considered an election to repay all accumulated retirement contributions previously refunded under this part in which the nonmember spouse has a community property interest. All payments shall be received by the system before the effective date of the nonmember spouse's retirement under this part. If any payment due because of the election is not received at the system's office in Sacramento within 120 days of its due date, the election shall be canceled and any payments made under the election shall be returned to the nonmember spouse.

(e) The right of the nonmember spouse to redeposit shall be subject to Section 23203.

(f) The member shall not have a right to redeposit the share of the nonmember spouse in the previously refunded accumulated retirement contributions under this part whether or not the nonmember spouse elects to redeposit. However, any accumulated retirement contributions previously refunded under this part and not explicitly awarded to the nonmember spouse under this part by the judgment or court order shall be deemed the exclusive property of the member.

SEC. 42. Section 22664 of the Education Code is amended to read:

22664. The nonmember spouse who is awarded a separate account shall have the right to a service retirement allowance and, if applicable, a retirement annuity under this part.

(a) The nonmember spouse shall be eligible to retire for service under this part if the following conditions are satisfied:



(1) The member had at least five years of credited service during the period of marriage, at least one year of which had been performed subsequent to the most recent refund to the member of accumulated retirement contributions. The credited service may include service credited to the account of the member as of the date of the dissolution or legal separation, previously refunded service, out-of-state service, and permissive service credit that the member is eligible to purchase at the time of the dissolution or legal separation.

(2) The nonmember spouse has at least two and one-half years of credited service in his or her separate account.

(3) The nonmember spouse has attained the age of 55 years or more.

(b) A service retirement allowance of a nonmember spouse under this part shall become effective upon any date designated by the nonmember spouse, provided:

(1) The requirements of subdivision (a) are satisfied.

(2) The nonmember spouse has filed an application for service retirement on a form provided by the system, that is executed no earlier than six months before the effective date of the retirement allowance.

(3) The effective date is no earlier than the first day of the month in which the application is received at the system's office in Sacramento and the effective date is after the date the judgment or court order pursuant to Section 22652 was entered.

(c) (1) Upon service retirement at normal retirement age under this part, the nonmember spouse shall receive a retirement allowance that shall consist of an annual allowance payable in monthly installments equal to 2 percent of final compensation for each year of credited service.

(2) If the nonmember spouse's retirement is effective at less than normal retirement age and between early retirement age under this part and normal retirement age, the retirement allowance shall be reduced by one-half of 1 percent for each full month, or fraction of a



month, that will elapse until the nonmember spouse would have reached normal retirement age.

(3) If the nonmember spouse's service retirement is effective at an age greater than normal retirement age and is effective on or after January 1, 1999, the percentage of final compensation for each year of credited service shall be determined pursuant to the following table:

Age at Retirement	Percentage
60 1/4 .....	2.033
60 1/2 .....	2.067
60 3/4 .....	2.10
61 .....	2.133
61 1/4 .....	2.167
61 1/2 .....	2.20
61 3/4 .....	2.233
62 .....	2.267
62 1/4 .....	2.30
62 1/2 .....	2.333
62 3/4 .....	2.367
63 and over .....	2.40

(4) In computing the retirement allowance of the nonmember spouse, the age of the nonmember spouse on the last day of the month in which the retirement allowance begins to accrue shall be used.

(5) Final compensation, for purposes of calculating the service retirement allowance of the nonmember spouse under this subdivision, shall be calculated according to the definition of final compensation in Section 22134, 22135, or 22136, whichever is applicable, and shall be based on the compensation earnable of the member up to the date the parties separated, as established in the judgment or court order pursuant to Section 22652.

The nonmember spouse shall not be entitled to use any other calculation of final compensation.

(d) If the member is or was receiving a disability allowance under this part with an effective date before or on the date the parties separated as established in the judgment or court order pursuant to Section 22652, or at



any time applies for and receives a disability allowance with an effective date that is before or coincides with the date the parties separated as established in the judgment or court order pursuant to Section 22652, the nonmember spouse shall not be eligible to retire until after the disability allowance of the member terminates.

If the member who is or was receiving a disability allowance returns to employment to perform creditable service subject to coverage under the Defined Benefit Program or has his or her allowance terminated under Section 24015, the nonmember spouse may not be paid a retirement allowance until at least six months after termination of the disability allowance and the return of the member to employment to perform creditable service subject to coverage under the Defined Benefit Program, or the termination of the disability allowance and the employment or self-employment of the member in any capacity, notwithstanding Section 22132. If at the end of the six-month period, the member has not had a recurrence of the original disability or has not had his or her earnings fall below the amounts described in Section 24015, the nonmember spouse may be paid a retirement allowance if all other eligibility requirements are met.

(1) The retirement allowance of the nonmember spouse under this subdivision shall be calculated as follows: the disability allowance the member was receiving, exclusive of the portion for dependent children, shall be divided between the share of the member and the share of the nonmember spouse. The share of the nonmember spouse shall be the amount obtained by multiplying the disability allowance, exclusive of the portion for dependent children, by the years of service credited to the separate account of the nonmember spouse, including service projected to the date of separation, and dividing by the projected service of the member. The nonmember spouse's retirement allowance shall be the lesser of the share of the nonmember spouse under this subdivision or the retirement allowance under subdivision (c).



(2) The share of the member shall be the total disability allowance reduced by the share of the nonmember spouse. The share of the member shall be considered the disability allowance of the member for purposes of Section 24213.

(e) The nonmember spouse who receives a retirement allowance is not a retired member under this part. However, the allowance of the nonmember spouse shall be increased by application of the improvement factor and shall be eligible for the application of supplemental increases and other benefit maintenance provisions under this part, including, but not limited to, Sections 24411, 24412, and 24415 based on the same criteria used for the application of these benefit maintenance increases to the service retirement allowances of members.

SEC. 43. Section 22665 of the Education Code is amended to read:

22665. The system shall include the service credit awarded to a nonmember spouse in the judgment or court order to determine the eligibility of a member for a retirement or disability allowance under this part. That portion of awarded service credit based on previously refunded accumulated retirement contributions or on permissive service credit may not be used by the member for eligibility requirements until the member has redeposited or purchased his or her portion of the service credit. The member's service retirement allowance shall be calculated based on the service credit in the member's account on the effective date of service retirement.

SEC. 44. Section 22706 of the Education Code is amended to read:

22706. A member shall not receive credit for service performed while receiving a retirement or disability allowance under the Defined Benefit Program or while receiving a retirement or disability annuity under the Defined Benefit Supplement Program.

SEC. 45. Section 22901.5 is added to the Education Code, to read:



22901.5. (a) Notwithstanding Section 22905, 25 percent of the member's contribution pursuant to Section 22901 (2 percent of creditable compensation) shall be credited to the member's Defined Benefit Supplement account pursuant to Section 25004.

(b) This section shall remain in effect only until January 1, 2011, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2011, deletes or extends that date.

SEC. 46. Section 22906 of the Education Code is repealed.

SEC. 47. Section 22906 is added to the Education Code, to read:

22906. A member's accumulated retirement contributions that were made with respect to service that was erroneously credited under the Defined Benefit Program shall be returned to the member.

SEC. 48. Section 23100 of the Education Code is amended to read:

23100. (a) Upon the termination of a member's employment by any cause other than death, disability, or retirement there shall be paid to the member, pursuant to this part, each of the following:

(1) The member's accumulated retirement contributions made after June 30, 1935.

(2) The member's accumulated annuity deposit contributions.

(3) An amount equal to the balance of credits in the member's Defined Benefit Supplement account.

(b) Accumulated retirement contributions and accumulated annuity deposit contributions shall include credited interest through the date of payment.

SEC. 49. Section 23300 of the Education Code is repealed.

SEC. 50. Section 23300 is added to the Education Code, to read:

23300. (a) A member of the Defined Benefit Program may designate a beneficiary to receive benefits payable under this part upon the member's death. A beneficiary designation may not be made in derogation



of a nonmember spouse's community property interest with respect to service or contributions credited under this part unless the nonmember spouse has previously obtained an alternative order pursuant to Section 2610 of the Family Code.

(b) A member shall make separate designations for benefits payable under the Defined Benefit Program and the Defined Benefit Supplement Program. Each designation shall be in writing on a form prescribed by the system, executed by the member, and witnessed by two witnesses who are not designated as beneficiary for benefits payable under either the Defined Benefit Program or the Defined Benefit Supplement Program. A member may designate the same beneficiary for benefits payable under the Defined Benefit Program and the Defined Benefit Supplement Program, or may designate a different beneficiary for each.

(c) A beneficiary designation shall not be valid unless it is received in the office of the system in Sacramento prior to the member's death.

(d) A member may change or revoke a beneficiary designation at any time by making a new designation pursuant to this section.

(e) This section shall not be applicable to the designation of an option beneficiary or an annuity beneficiary under this part.

SEC. 51. Section 23881 of the Education Code is repealed.

SEC. 52. Section 23881 is added to the Education Code, to read:

23881. (a) If upon receipt of proof of death of a retired member who was receiving an unmodified allowance and who retired under this part after June 30, 1972, there is a remaining balance of the member's accumulated retirement contributions, the balance shall be paid to the member's beneficiary.

(b) Upon receipt of proof of death of a retired member's option beneficiary after the beneficiary begins to receive an allowance, the remaining balance of a member's accumulated retirement contributions, if any,



shall be paid to the beneficiary designated by the option beneficiary to receive that payment.

(c) The remaining balance of a retired member's accumulated retirement contributions shall be the difference between the balance of the accumulated retirement contributions on the effective date of the member's retirement and the total retirement allowance paid or payable to the retired member on the date of the member's death. If the retired member predeceased the option beneficiary, the remaining balance of the retired member's accumulated retirement contributions shall be the difference between the balance of the accumulated retirement contributions on the effective date of the member's retirement and the total retirement allowance paid or payable to the retired member and the option beneficiary on the date of the option beneficiary's death.

(d) Payments pursuant to this section shall include interest on the remaining balance of accumulated retirement contributions calculated from the date the last allowance payment was made to the date the remaining balance of accumulated retirement contributions is paid.

SEC. 53. Section 24202.5 of the Education Code is amended to read:

24202.5. (a) A member who retires for service on or after January 1, 1999, shall receive a retirement allowance consisting of all of the following:

(1) An annual allowance payable in monthly installments, upon retirement equal to the percentage of the final compensation set forth opposite the member's age at retirement in the following table multiplied by each year of credited service:

Age at Retirement	Percentage
60 .....	2.00
60 1/4 .....	2.033
60 1/2 .....	2.067
60 3/4 .....	2.10
61 .....	2.133
61 1/4 .....	2.167
61 1/2 .....	2.20



61 <sup>3</sup> / <sub>4</sub> .....	2.233
62 .....	2.267
62 <sup>1</sup> / <sub>4</sub> .....	2.30
62 <sup>1</sup> / <sub>2</sub> .....	2.333
62 <sup>3</sup> / <sub>4</sub> .....	2.367
63 and over .....	2.40

If the member’s retirement is effective at less than normal retirement age and between early retirement age and normal retirement age, the member’s allowance shall be reduced by one-half of 1 percent for each full month, or fraction of a month that will elapse until the member will attain normal retirement age.

(2) An annuity that shall be the actuarial equivalent of the member’s accumulated annuity deposit contributions at the time of retirement.

(3) An annuity based on the balance of credits in the member’s Defined Benefit Supplement account, pursuant to Section 25012, if elected by the member pursuant to Section 25011.

(b) In computing the amounts described in paragraph (1) of subdivision (a), the age of the member on the last day of the month in which the retirement allowance begins to accrue or the later date as provided in Section 24204 shall be used.

SEC. 54. Section 24206 of the Education Code is amended to read:

24206. The minimum unmodified allowance for service retirement under the Defined Benefit Program, exclusive of annuities payable from accumulated annuity deposit contributions and exclusive of the balance of credits in the member’s Defined Benefit Supplement account, shall not be less than ten dollars (\$10) per month multiplied by the member’s years of credited service. This guaranteed amount shall be reduced by the amount of an unmodified allowance payable from a local system based on service credited under the Defined Benefit Program. If the retirement is effective at less than age 60 years this allowance shall be reduced by one-half of 1 percent for each full month or fraction of a month that



will elapse until the member would have reached age 60 years.

SEC. 55. Section 24300.5 is added to the Education Code, to read:

24300.5. An option beneficiary who is receiving an allowance pursuant to the option elected by the member may designate a beneficiary to receive any remaining balance of the retired member's accumulated retirement contributions payable pursuant to Section 23881 upon the death of the option beneficiary.

SEC. 56. Section 24305.3 is added to the Education Code, to read:

24305.3. (a) A member who is receiving a joint and survivor annuity under the Defined Benefit Supplement Program may change the annuity or the annuity beneficiary elected pursuant to Section 25011 or 25018 provided all of the following conditions are met:

(1) The annuity beneficiary is the member's spouse or former spouse.

(2) A final decree of dissolution of marriage is granted, or a judgment of nullity is entered, or an order of separate maintenance is made by a court of competent jurisdiction with respect to the member and the spouse or former spouse on or after the beginning of the initial plan year designated by the board pursuant to Section 22156.05.

(3) The change is consistent with the final decree of dissolution, judgment of nullity, or order of separate maintenance.

(b) A member may change the annuity pursuant to subdivision (a) before or after the first annuity payment is issued.

(c) The member shall notify the system in writing of the change in the annuity. The notification shall not be earlier than the effective date of the final decree of dissolution, judgment of nullity, or order of separate maintenance and shall include a certified copy of the final decree of dissolution, judgment of nullity, or order of separate maintenance, and any property settlement agreement.



(d) A change in the annuity or annuity beneficiary or both shall become effective on the date the notification of change is received by the system. The annuity amount payable to the member upon the change elected by the member shall be determined as of the effective date of the change and shall be the actuarial equivalent of the lump-sum that would otherwise be payable to the member as of the date of the change. If the member elects a joint and survivor annuity, the amount payable under the annuity shall be modified consistent with the annuity elected by the member.

SEC. 57. Section 24402 of the Education Code is amended to read:

24402. (a) Service retirement allowances, retirement annuities, disability allowances, disability retirement allowances, disability annuities, family allowances, and survivor benefit allowances payable pursuant to this part shall be increased by application of the benefit improvement factor.

(b) Allowances payable to beneficiaries on account of options elected under Section 24300, 24301, or 24307 and annuities payable to annuity beneficiaries under the Defined Benefit Supplement Program shall be increased by application of the improvement factor. This factor shall be applicable on the same date when it would have been applied to the allowance of the deceased person.

(c) The benefit improvement factor shall not be applied to an annuity that is the actuarial equivalent of the accumulated annuity deposit contributions standing to the credit of the member's account on the effective date of a service or disability retirement.

SEC. 58. Section 24411 of the Education Code is amended to read:

24411. (a) (1) Annual cost-of-living adjustments for retired members, disabled members, and beneficiaries in excess of the 2-percent adjustment authorized by Section 22140 may be included as a General Fund appropriation in the annual Budget Act. In the annual budget submitted to the Legislature, the Governor shall include a budget item equal to 5 percent of the average annualized



statewide increase in payroll for certificated personnel over the three previous school years among school districts, county offices of education, and community college districts.

(2) The amount submitted in the annual Budget Act pursuant to this section shall be considered as part of the overall budget allocations to the public schools and community colleges.

(b) The annual appropriation shall be made to the system on July 1, and shall be placed in a segregated account called the Retirees' Purchasing Power Protection Account. The proceeds of that account are continuously appropriated and shall be distributed annually in quarterly payments commencing on September 1 to retired members, disabled members, and beneficiaries under the Defined Benefit Program as follows:

(1) The proceeds shall be allocated among those retired members, disabled members, and beneficiaries under the Defined Benefit Program whose allowances, after applying the 2-percent adjustment authorized by Section 22140, have the lowest purchasing power percentage, based on the amount that would be paid had the original allowance been increased by the increases in the index then being used by the Department of Finance to measure changes in the cost of living, increasing those allowances to a common minimum purchasing power level. In any year in which the purchasing power of the allowances of all retired members, disabled members, and beneficiaries under the Defined Benefit Program equals not less than 75 percent and additional funds remain from the allocation authorized by this section, those funds shall be allocated by the board to general accounts to reduce the unfunded actuarial liability of the fund.

(2) The board may deduct from the annual appropriation an amount necessary for administrative expenses to implement this section.

(c) The board shall inform each recipient of an allowance under subdivision (b) that the increases are



not cumulative, are not part of the base allowance, and shall be available only as appropriated annually in the Budget Act.

(d) The adjustments authorized by this section shall not be included in the base allowance for purposes of calculating the 2-percent adjustment authorized by Section 22140.

(e) It is the ultimate intent and purpose of the Legislature in amending this section by Chapters 323 and 780 of the Statutes of 1983, to achieve a common minimum purchasing power level equal to 75 percent of the purchasing power of the original allowance. It is the present intent of the Legislature that until adequate funds are available to fulfill the ultimate intent, those persons whose allowances have been most impacted by inflation shall be accorded first priority in receiving, pursuant to this section, supplemental cost-of-living adjustments from the Retirees' Purchasing Power Protection Account.

(f) This section shall not be operative in any fiscal year during which, as determined by the board, distributions provided for by Section 24415 are being made.

SEC. 59. Section 24412 of the Education Code is amended to read:

24412. (a) The annual revenues deposited to the Teachers' Retirement Fund pursuant to Section 6217.5 of the Public Resources Code are continuously appropriated without regard to fiscal year for the purposes of this section and shall be distributed annually in quarterly supplemental payments commencing on September 1 of each year to retired members, disabled members, and beneficiaries under the Defined Benefit Program. The amount available for distribution in any year shall be the income for that year from the sale or use of school lands and lieu lands, as estimated by the State Lands Commission prior to the beginning of the fiscal year, adjusted by the difference between the estimated and actual income for the preceding fiscal year. The board shall deduct from the revenues an amount necessary for administrative expenses to implement this section.



(b) The net revenues to be distributed shall be allocated among those retired members, disabled members, and beneficiaries, as defined in subdivision (a) of Section 22107, whose allowances under the Defined Benefit Program, after sequentially applying the annual improvement factor as defined in Section 22140 and the annual supplemental payment as specified in Section 24411, if any, are below 75 percent of the original purchasing power. The purchasing power calculation for each individual allowance shall be based on the change in the All Urban California Consumer Price Index between June of the calendar year of retirement and June of the fiscal year preceding the fiscal year of the distribution. The allocation shall provide a pro rata share of the amount needed to restore the allowance payable, after sequential application of the current year annual improvement factor and the supplemental payment under Section 24411, to 75 percent of the original purchasing power.

(c) The allowance increase shall not be applicable to annuities payable from the accumulated annuity deposit contributions or the accumulated tax-sheltered annuity contributions.

(d) In any year that the net revenues from school lands and lieu lands is greater than that needed to adjust the allowances of all retired members, disabled members, and beneficiaries, as defined in subdivision (a) of Section 22107, under the Defined Benefit Program to 75 percent of the original purchasing power, the net revenues in excess of that needed for distribution shall be used by the board to reduce the unfunded actuarial obligation of the fund.

(e) The board shall inform each recipient of supplemental payments under this section that the increases are not cumulative and are not part of the base allowance.

SEC. 60. Section 24415 of the Education Code is amended to read:

24415. (a) The proceeds of the Supplemental Benefit Maintenance Account shall be distributed annually in quarterly supplemental payments commencing on



September 1, 1990, to retired members, disabled members, and beneficiaries, as defined in subdivision (a) of Section 22107. The amount available for distribution in any fiscal year shall not exceed the amount necessary to restore purchasing power up to 75 percent of the purchasing power of the initial monthly allowance after the application of all allowance increases authorized by this part, including those specified in Section 24412.

(b) The net revenues to be distributed shall be allocated among those retired members, disabled members, and beneficiaries, as defined in subdivision (a) of Section 22107, whose allowances, after sequentially applying the annual improvement factor as defined in Sections 22140 and 22141, and the annual supplemental payment as specified in Section 24412, have the lowest purchasing power percentage. The purchasing power calculation for each individual shall be based on the change in the All Urban California Consumer Price Index between June of the calendar year of retirement and June of the fiscal year preceding the fiscal year of distribution. In any year in which the purchasing power of the allowances of all retired members, disabled members, and beneficiaries, as defined in subdivision (a) of Section 22107, equals not less than 75 percent and additional funds remain from the allocation authorized by this section, those funds shall remain in the Supplemental Benefit Maintenance Account for allocation in future years.

(c) The allowance increase shall not be applicable to annuities payable from the accumulated annuity deposit contributions or the accumulated tax-sheltered annuity contributions.

(d) The increases provided by subdivision (b) are not cumulative, not part of the base allowance, and will be payable only to the extent that funds are available from the Supplemental Benefit Maintenance Account. The board shall inform each recipient of the contents of this subdivision.

(e) The adjustments authorized by this section are vested only up to the amount payable as a result of the annual appropriation made pursuant to Section 22954 and



shall not be included in the base allowance for purposes of calculating the annual improvement defined by Sections 22140 and 22141.

SEC. 61. Section 24417 of the Education Code is amended to read:

24417. (a) The proceeds of an auxiliary Supplemental Benefit Maintenance Account shall be distributed annually in quarterly supplemental payments, commencing when funds in the Supplemental Benefit Maintenance Account are insufficient to support 75 percent, to retired members, disabled members, and beneficiaries, as defined in subdivision (a) of Section 22107. The amount available for distribution in any fiscal year shall not exceed the amount necessary to restore purchasing power up to 75 percent of the purchasing power of the initial monthly allowance after the application of all allowance increases authorized by this part, including those specified in Sections 24412 and 24415.

(b) The net revenues to be distributed shall be allocated among those retired members, disabled members, and beneficiaries, as defined in subdivision (a) of Section 22107, whose allowances, after sequentially applying the annual improvement factor as defined in Sections 22140 and 22141, and the annual supplemental payment as specified in Sections 24412 and 24415, have the lowest purchasing power percentage. The purchasing power calculation for each individual shall be based on the change in the All Urban California Consumer Price Index between June of the calendar year of the benefit effective date and June of the fiscal year preceding the fiscal year of distribution.

(c) The allowance increase shall not be applicable to annuities payable from the accumulated annuity deposit contributions or the accumulated tax-sheltered annuity contributions.

(d) The increases provided by subdivision (b) are not cumulative, nor part of the base allowance, and will be payable only to the extent that funds are available from the Supplemental Benefit Maintenance Account and the



auxiliary Supplemental Benefit Maintenance Account. The board shall inform each recipient of the contents of this subdivision.

(e) The distributions authorized by this section are vested only up to the amount payable as a result of the annual appropriation made pursuant to Section 22954 and shall not be included in the base allowance for purposes of calculating the annual improvement defined by Sections 22140 and 22141.

SEC. 62. Section 24600 of the Education Code is amended to read:

24600. (a) A retirement allowance under this part begins to accrue on the effective date of the member's retirement and ceases on the earlier of the day of the member's death or the day on which the retirement allowance is terminated for a reason other than the member's death.

(b) A retirement allowance payable to an option beneficiary under this part begins to accrue on the day following the day of the retired member's death and ceases on the day of the option beneficiary's death.

(c) A disability allowance under this part begins to accrue on the effective date of the member's disability and ceases on the earlier of the day of the member's death or the day on which the disability allowance is terminated for a reason other than the member's death.

(d) A family allowance under this part begins to accrue on the day following the day of the member's death and ceases on the day of the event that terminates eligibility for the allowance.

(e) A survivor benefit allowance payable to a surviving spouse under this part pursuant to Chapter 23 (commencing with Section 23850) begins to accrue on the day the member would have attained 60 years of age or on the day following the day of the member's death, as elected by the surviving spouse, and ceases on the day of the surviving spouse's death.

(f) A child's portion of an allowance under this part begins to accrue on the effective date of that allowance and ceases on the earlier of either the termination of the



child's eligibility or the termination of the allowance. An allowance payable because of a full-time student shall terminate on the first day of the month following the end of the school quarter or semester that is in progress in the month the full-time student attains 22 years of age. Any adjustment to an allowance because of a full-time student's periods of nonattendance shall be made as follows: the allowance shall cease on the first day of the month in which return to full-time attendance was required and shall begin to accrue again on the first day of the month in which full-time attendance resumes.

(g) Supplemental payments issued under this part pursuant to Sections 24701, 24702, and 24703 to retired members, disabled members, and beneficiaries shall begin to accrue pursuant to Sections 24701, 24702, and 24703 and shall cease to accrue as of the termination dates specified in subdivisions (a) to (f), inclusive.

(h) Notwithstanding any other provision of this part or other law, distributions payable under the plan with respect to the Defined Benefit Program and the Defined Benefit Supplement Program shall be made in accordance with applicable provisions of the Internal Revenue Code of 1986, as amended, and related regulations. The required beginning date of benefit payments that represent the entire interest of the member in the plan with respect to the Defined Benefit Program and the Defined Benefit Supplement Program shall be either:

(1) In the case of a refund of contributions, as described in Chapter 18 (commencing with Section 23100) of this part, and distribution of an amount equal to the balance of credits in a member's Defined Benefit Supplement account, as described in Chapter 38 (commencing with Section 25000) of this part, not later than April 1 of the calendar year following the later of (A) the calendar year in which the member attains 70  $\frac{1}{2}$  years of age or (B) the calendar year in which the member terminates employment within the meaning of subdivision (i).



(2) In the case of a retirement allowance, as defined in Section 22166, beginning not later than April 1 of the calendar year following the later of (A) the calendar year in which the member attains 70 1/2 years of age or (B) the calendar year in which the member terminates employment within the meaning of subdivision (i), to continue over the life of the member or the lives of the member and the member's option beneficiary, or over the life expectancy of the member or the life expectancy of the member and the member's option beneficiary.

(i) For purposes of subdivision (h), "terminates employment" means the later of:

(1) The date the member ceases to perform creditable service subject to coverage under this plan.

(2) The date the member ceases employment in a position subject to coverage under another public retirement system in this state if the compensation earnable while a member of the other system may be considered in the determination of final compensation pursuant to Section 22134, 22135, or 22136.

SEC. 63. Section 25000 of the Education Code is amended and renumbered to read:

25900. (a) The State Teachers' Retirement System shall develop a program to provide health care benefits for members, beneficiaries, children, and dependent parents.

(b) All costs incurred by the system pursuant to this part shall be paid by allocations from the Teachers' Retirement Fund as appropriated for that purpose.

(c) The health care benefits program developed by the system pursuant to this part shall not be implemented by the system unless specifically authorized by a statute enacted by the Legislature.

SEC. 64. Section 25100 of the Education Code is amended and renumbered to read:

25901. Unless the context otherwise requires, the definitions set forth in this chapter govern the construction of this part.

SEC. 65. Section 25110 of the Education Code is amended and renumbered to read:



25910. “Beneficiary” or “beneficiaries” means any person or entity receiving or entitled to receive an allowance and payment pursuant to Part 13 (commencing with Section 22000) or 14 (commencing with Section 26000) because of the disability or death of a member.

SEC. 66. Section 25115 of the Education Code is amended and renumbered to read:

25915. (a) “Dependent child” or “dependent children” means a member’s unmarried offspring or stepchild who is not older than 22 years of age and who is financially dependent upon the member on the date the member becomes eligible for benefits pursuant to this part.

(b) “Offspring” shall include the member’s child who is born within the 10-month period commencing on the date the member becomes eligible for benefits pursuant to this part.

(c) “Offspring” shall include a child adopted by the member.

(d) “Dependent child” shall not include the member’s offspring or stepchild who is adopted by a person other than the member’s spouse.

(e) “Financially dependent,” for purposes of this section, means that at least one-half of the child’s support was being provided by the member on the date the member became eligible for benefits pursuant to this part. The system may require that income tax records or other data be submitted to substantiate the child’s financial dependence. In the absence of substantiating documentation, the system may determine that the child was not dependent on the date the member became eligible for benefits pursuant to this part.

SEC. 67. Section 25120 of the Education Code is amended and renumbered to read:

25920. “Dependent parent” or “dependent parents” means a natural parent or parents of a member, or a parent or parents who adopted the member prior to the earlier of the occurrence of the member’s marriage or his or her attaining 18 years of age, and who was receiving



one-half or more of his or her support from the member at the time the member became eligible for benefits pursuant to this part.

SEC. 68. Section 25125 of the Education Code is amended and renumbered to read:

25925. “Member” means a current or retired employee of an employer, as defined in Section 22131.

SEC. 69. Chapter 38 (commencing with Section 25000) is added to Part 13 of Division 1 of Title 1 of the Education Code, to read:

## CHAPTER 38. DEFINED BENEFIT SUPPLEMENT PROGRAM

### Article 1. General Provisions

25000. The Defined Benefit Supplement Program is hereby established to provide supplemental benefits for members of the Defined Benefit Program. The Teachers’ Retirement Board shall administer the Defined Benefit Supplement Program in accordance with the provisions of this chapter.

25000.5. The design and administration of the Defined Benefit Supplement Program shall comply with the applicable provisions of the Internal Revenue Code and the Revenue and Taxation Code. The board may amend the plan with respect to the Defined Benefit Supplement Program to do any of the following:

- (a) Comply with applicable federal law and regulations to the extent permitted by law.
- (b) Adopt or amend actuarial assumptions.
- (c) Designate the initial plan year.
- (d) Establish and revise the minimum interest rate.
- (e) Declare an additional earnings credit.
- (f) Declare an additional annuity credit.

25000.7. (a) A member shall have a vested right to a benefit under the Defined Benefit Supplement Program in an amount equal to the balance of credits in the member’s Defined Benefit Supplement account. That right shall accrue when the member’s Defined Benefit



Supplement account is established pursuant to Section 25004.

(b) If a person becomes entitled to a distribution from the program under this part that constitutes an eligible rollover distribution within the meaning of Section 401(a)(31) of Title 26 of the United States Code, the person may elect, under terms and conditions established by the board, to have the distribution or a portion thereof paid directly to a plan that constitutes an eligible retirement plan within the meaning of Section 401(a)(31), as specified by that person. Upon the exercise of the election by a person with respect to a distribution or a portion thereof, the distribution from the program of the amount so designated, once distributable under the terms of the program, shall be made in the form of a direct rollover to the eligible retirement plan so specified.

## Article 2. Program Accounts

25001. (a) The board shall establish a segregated account within the retirement fund to be known as the Gain and Loss Reserve, and the board shall have sole authority over the reserve. The Gain and Loss Reserve shall be maintained for the Defined Benefit Supplement Program and may be used to credit interest at the minimum interest rate for plan years in which the board determines that the obligation cannot be met from investment earnings. The Gain and Loss Reserve may also be used to provide additions to the Annuitant Reserve for monthly annuities payable under the Defined Benefit Supplement Program.

(b) The board shall establish a goal for the balance of the Gain and Loss Reserve and periodically shall review the sufficiency of the reserve based on the recommendations of the actuary.

(c) The board may allocate excess earnings of the plan with respect to assets attributable to the Defined Benefit Supplement Program to the Gain and Loss Reserve. Upon the recommendation of the actuary, the board shall determine annually the amount, if any, that is to be



allocated to the Gain and Loss Reserve for that plan year. That determination shall be made upon recommendation of the actuary after adoption of the actuarial valuation undertaken following the plan year pursuant to Section 22311.5, but no later than June 30 following the end of the plan year. In determining whether to allocate excess earnings to the Gain and Loss Reserve, the board shall consider all of the following:

(1) Whether or not the plan has excess earnings attributable to the Defined Benefit Supplement Program.

(2) The sufficiency of the Gain and Loss Reserve in light of the goal established pursuant to subdivision (b).

(3) The amount required for the plan's administrative costs with respect to the Defined Benefit Supplement Program.

(4) The amount required for crediting members' accounts at the minimum interest rate.

25002. The board shall establish and maintain a segregated account within the retirement fund to be known as the Annuitant Reserve and the board shall have sole authority over the reserve. The Annuitant Reserve shall be used for the payment of annuities under the Defined Benefit Supplement Program. The board shall transfer the balance in a member's accumulated Defined Benefit Supplement account to the reserve when a benefit is to be paid as an annuity.

25003. The board may transfer amounts between the Gain and Loss Reserve and the Annuitant Reserve upon the recommendation of the actuary.

25004. Member accounts under the Defined Benefit Supplement Program shall be nominal accounts. Member contributions and employer contributions on behalf of the member that are specifically identified as creditable to the Defined Benefit Supplement Program shall be treated as credits to the member's Defined Benefit Supplement account, together with interest credited at the minimum interest rate and additional earnings credit thereon. The balance of credits in a member's account shall determine the amount to which the member is



entitled under the Defined Benefit Supplement Program upon termination of employment subject to coverage by the plan. The member shall not have a right or claim to any specific assets of the account, program, plan, or retirement fund.

25005. (a) Prior to July 1 of the initial plan year, and prior to the beginning of each plan year thereafter, the board shall adopt a plan amendment with respect to the Defined Benefit Supplement Program to declare the rate at which interest shall be credited to Defined Benefit Supplement accounts for the following plan year.

(b) The minimum interest rate declared annually by the board shall be in accordance with applicable federal laws and related regulations and shall not be less than the rate at which interest is credited under the Defined Benefit Program.

(c) Interest shall be credited to Defined Benefit Supplement accounts and shall be computed at the minimum interest rate on the balance of credits in a member's account and shall be compounded daily.

(d) Credited interest shall not be applied to the balance of credits in a member's Defined Benefit Supplement account that has been transferred to the Annuitant Reserve.

25006. (a) The board may declare an additional earnings credit to be applied to Defined Benefit Supplement accounts for a plan year. Prior to declaring an additional earnings credit, the board shall consider all of the following:

(1) Whether the plan's investment earnings with respect to the Defined Benefit Supplement Program for the plan year exceed the amount required to meet the liabilities identified in paragraphs (2), (3), and (4).

(2) The amount required for the plan year to credit interest on members' nominal accounts at the minimum interest rate.

(3) The amount of the plan's administrative expenses with respect to the Defined Benefit Supplement Program for the plan year.



(4) The sufficiency of the Gain and Loss Reserve and whether any additions must be made to that reserve.

(b) For any plan year that the board declares an additional earnings credit, the board shall specify the amount to be added to members' accounts as a percentage increase. The additional earnings credit shall be applied to the balance of credits in each member's nominal account as of the last day of the plan year and shall be applied as of the date specified by the board. The additional earnings credit shall not be added to the balance of credits in a member's Defined Benefit Supplement account that has been transferred to the Annuitant Reserve.

(c) The declaration of an additional earnings credit shall be made as a plan amendment adopted by the board with respect to the Defined Benefit Supplement Program upon recommendation of the actuary after adoption of the actuarial valuation undertaken following the plan year pursuant to Section 22311.5, but no later than June 30 following the end of the plan year.

25007. When the board declares an additional earnings credit for a plan year, the board also may declare by plan amendment an additional annuity credit, for members and annuity beneficiaries who are receiving an annuity, based on the balance of credits transferred from the member's Defined Benefit Supplement account to the Annuitant Reserve. The additional annuity credit, if declared by the board, shall be paid in a lump-sum. In addition to the considerations specified in Section 25006, prior to declaring an additional earnings credit, the board shall consider both of the following:

(a) The amount required for the plan year to apply the additional earnings credit to the Defined Benefit Supplement accounts of members who are not receiving an annuity under the Defined Benefit Supplement Program for the plan year.

(b) Any other obligations incurred by the plan with respect to the Defined Benefit Supplement Program.

25008. (a) A member's right to an amount equal to the balance of credits in the member's Defined Benefit



Supplement account shall be vested at the time contributions are initially credited to the member's account.

(b) A partial distribution of the amount equal to the balance of credits in a member's Defined Benefit Supplement account shall not be made, except as provided in Section 25009 or 25016.

### Article 3. Retirement Benefits

25009. (a) A member's retirement benefit under the Defined Benefit Supplement Program shall be an amount equal to the balance of credits in the member's Defined Benefit Supplement account on the date the retirement benefit becomes payable.

(b) A retirement benefit shall be a lump-sum payment, or an annuity payable in monthly installments, or a combination of both a lump-sum payment and an annuity, as elected by the member on the application for a retirement benefit.

(c) Upon distribution of the entire retirement benefit in a lump-sum payment, no other benefit shall be payable to the member or the member's beneficiary under the Defined Benefit Supplement Program.

25010. (a) A member who meets the following eligibility requirements may receive a retirement benefit under the Defined Benefit Supplement Program:

(1) The member has terminated all employment to perform creditable service subject to coverage by the plan. The member's employer, or employers if the member has multiple employers, shall certify on a form prescribed by the system that the member's employment has been terminated.

(2) The member has retired for service under the Defined Benefit Program pursuant to Chapter 27 (commencing with Section 24201).

(b) A member shall submit an application for a retirement benefit on a form prescribed by the system.

25011. (a) A member may elect to receive the retirement benefit as an annuity payable in monthly



installments, provided the balance of credits in the member's Defined Benefit Supplement account on the date the retirement benefit becomes payable equals at least three thousand five hundred dollars (\$3,500).

(b) If the member elects to receive the retirement benefit as an annuity, the member shall elect one of the following forms of payment:

(1) A single life annuity without a cash refund feature. This form of payment is the actuarial equivalent of the amount that would be payable to the member if the member elected to receive the retirement benefit in a lump-sum payment. Upon the death of the member, no other benefit shall be payable to the member's beneficiary under the Defined Benefit Supplement Program.

(2) A single life annuity with a cash refund feature. This form of payment is the actuarial equivalent of the amount that would be payable to the member if the member elected to receive the retirement benefit in a lump-sum payment. Upon the death of the member, an amount equal to the remaining balance, if any, of credits transferred from the member's Defined Benefit Supplement account to the Annuitant Reserve shall be returned in a lump-sum payment to the member's beneficiary.

(3) A 100 percent joint and survivor annuity. This form of payment is the actuarial equivalent of the lump-sum payment modified to be payable over the combined lives of the member and the member's annuity beneficiary. Upon the death of the member, the same monthly amount that was payable to the member shall be paid monthly to the member's surviving annuity beneficiary. If the annuity beneficiary predeceases the member, the annuity shall be payable to the member without modification as of the day following the date of the annuity beneficiary's death upon receipt by the system of proof of the annuity beneficiary's death.

(4) A 50 percent joint and survivor annuity. This form of payment is the actuarial equivalent of the lump-sum payment modified to be payable over the combined lives



of the member and the member's annuity beneficiary. Upon the death of the member, one-half of the monthly amount that was payable to the member shall be paid monthly to the member's surviving annuity beneficiary. If the annuity beneficiary predeceases the member, the annuity shall be payable to the member without modification as of the day following the date of the annuity beneficiary's death upon receipt by the system of proof of the annuity beneficiary's death.

(5) A period certain annuity. This form of payment is an annuity equal to the actuarial equivalent of the balance of credits in the member's Defined Benefit Supplement account on the date the retirement benefit becomes payable. The annuity shall be payable over a specified number of years, from a minimum of three years to a maximum of 10 years, until the annuity amount paid equals the amount of credits that was in the member's Defined Benefit Supplement account. However, the annuity period shall not exceed the life expectancy of the member, or the life expectancy of the member and the member's annuity beneficiary. If the member's death occurs prior to the end of the period certain, the remaining balance of payments shall be paid to the member's annuity beneficiary pursuant to Section 25022.

(c) The actuarial equivalent of the balance of credits in the member's Defined Benefit Supplement account shall reflect increases in annuity payments to be made in the future pursuant to Section 24402, unless the member elected a period certain annuity.

#### Article 4. Annuities

25012. An annuity payable under the Defined Benefit Supplement Program shall be determined as a value actuarially equivalent to the balance of credits in the member's Defined Benefit Supplement account on the date the benefit becomes payable and after any lump-sum payment. If a single life annuity is elected, the annuity shall be calculated using the age of the member on the date the benefit becomes payable. If a joint and



survivor annuity is elected, the annuity shall be calculated using the age of the member and the age of the member's beneficiary on the date the benefit becomes payable.

25013. Upon election by the member to receive a benefit payable under the Defined Benefit Supplement Program in the form of an annuity, the balance of credits in the member's Defined Benefit Supplement account shall be transferred to the Annuitant Reserve.

25014. (a) If a member reinstates from service retirement under this part, payment of a retirement annuity based on the balance of credits that was transferred from the member's Defined Benefit Supplement account to the Annuitant Reserve shall terminate. The member's Defined Benefit Supplement account shall be credited with the actuarial equivalent of the member's annuity as of the date the annuity is terminated and the Annuitant Reserve shall be reduced by the amount credited to the member's account.

(b) The actuarial equivalent of the annuity on the date the annuity is terminated shall be calculated using the actuarial assumptions that were in effect on the date the retirement annuity became payable. In determining the actuarial equivalent, the age of the member on the date the retirement annuity became payable shall be used if the member was receiving a single life annuity. If the member was receiving a joint and survivor annuity, the age of the member and the age of the member's annuity beneficiary on the date the retirement annuity became payable shall be used to determine the actuarial equivalent.

(c) If the member subsequently retires again, an annuity based on the remaining balance of credits in the member's Defined Benefit Supplement account at the time of the subsequent retirement shall become payable pursuant to Section 24202.5 and the balance of credits in the member's Defined Benefit Supplement account shall be transferred to the Annuitant Reserve.

25015. (a) If a member elects to receive a benefit payable under the Defined Benefit Supplement Program as a joint and survivor annuity, the member shall



designate an annuity beneficiary on the benefit application. The annuity beneficiary designation shall not be changed after the date the benefit becomes payable to the member, except as provided in Chapter 12 (commencing with Section 22650).

(b) A member who elects to receive a joint and survivor annuity may designate more than one annuity beneficiary. If the member designates multiple annuity beneficiaries, the member shall specify the percentage of the annuity payable to each annuity beneficiary upon the death of the member. The annuity amount payable to the member during his or her lifetime shall be modified to be payable over the combined lives of the member and the annuity beneficiaries.

(c) If the member predeceases an annuity beneficiary, the annuity beneficiary may designate a payee to receive an amount that may be payable in a lump-sum pursuant to Section 25023 upon the death of the annuity beneficiary.

#### Article 5. Disability Benefits

25016. (a) A member's disability benefit under the Defined Benefit Supplement Program shall be an amount equal to the balance of credits in the member's Defined Benefit Supplement account on the date the disability benefit becomes payable.

(b) A disability benefit shall be a lump-sum payment, or an annuity payable in monthly installments, or a combination of both a lump-sum payment and an annuity, as elected by the member on the application for a disability benefit.

(c) Upon distribution of the entire disability benefit in a lump-sum payment, no other benefit shall be payable to the member or the member's beneficiary under the Defined Benefit Supplement Program.

25017. (a) A member who meets the following eligibility requirements may receive a disability benefit under the Defined Benefit Supplement Program:



(1) The member has terminated all employment to perform creditable service subject to coverage by the plan. The member's employer, or employers if the member has multiple employers, shall certify on a form prescribed by the system that the member's employment has been terminated.

(2) The member has been approved to receive a disability allowance pursuant to Chapter 25 (commencing with Section 24001) or a disability retirement allowance pursuant to Chapter 26 (commencing with Section 24100) under the Defined Benefit Program.

(b) The member, or the member's employer or conservator on behalf of the member, shall submit an application for a disability benefit on a form prescribed by the system.

25018. (a) A member may elect to receive the disability benefit as an annuity, payable in monthly installments, provided the balance of credits in the member's Defined Benefit Supplement account on the date the disability benefit becomes payable equals at least three thousand five hundred dollars (\$3,500).

(b) If the member elects to receive the disability benefit as an annuity, the member shall elect one of the following forms of payment:

(1) A single life annuity without a cash refund feature. This form of payment is the actuarial equivalent of the amount that would be payable to the member if the member elected to receive the disability benefit in a lump-sum payment. Upon the death of the member, no other benefit shall be payable to the member's beneficiary under the Defined Benefit Supplement Program.

(2) A single life annuity with a cash refund feature. This form of payment is the actuarial equivalent of the amount that would be payable to the member if the member elected to receive the disability benefit in a lump-sum payment. Upon the death of the member, an amount equal to the remaining balance, if any, of credits transferred from the member's Defined Benefit



Supplement account to the Annuitant Reserve shall be returned in a lump-sum payment to the member's beneficiary.

(3) A 100 percent joint and survivor annuity. This form of payment is the actuarial equivalent of the lump-sum payment modified to be payable over the combined lives of the member and the member's annuity beneficiary. Upon the death of the member, the same monthly amount that was payable to the member shall be paid monthly to the member's surviving annuity beneficiary. If the annuity beneficiary predeceases the member, the annuity shall be payable to the member without modification as of the day following the date of the annuity beneficiary's death upon receipt by the system of proof of the annuity beneficiary's death.

(4) A 50 percent joint and survivor annuity. This form of payment is the actuarial equivalent of the lump-sum payment modified to be payable over the combined lives of the member and the member's annuity beneficiary. Upon the death of the member, one-half of the monthly amount that was payable to the member shall be paid monthly to the member's surviving annuity beneficiary. If the annuity beneficiary predeceases the member, the annuity shall be payable to the member without modification as of the day following the date of the annuity beneficiary's death upon receipt by the system of proof of the annuity beneficiary's death.

(5) A period certain annuity. This form of payment is an annuity equal to the actuarial equivalent of the balance of credits in the member's Defined Benefit Supplement account on the date the disability benefit becomes payable. The annuity shall be payable over a specified number of years, from a minimum of three years to a maximum of 10 years, until the annuity amount paid equals the amount of credits that was in the member's Defined Benefit Supplement account. However, the annuity period shall not exceed the life expectancy of the member, or the life expectancy of the member and the member's annuity beneficiary. If the member's death occurs prior to the end of the period certain, the



remaining balance of payments shall be paid to the member's annuity beneficiary pursuant to Section 25022.

(c) The actuarial equivalent of the balance of credits in the member's Defined Benefit Supplement account shall reflect increases in annuity payments to be made in the future pursuant to Section 24402, unless the member elected a period certain annuity.

25019. (a) If a member's disability allowance or disability retirement allowance under this part is terminated, payment of a disability annuity based on the balance of credits transferred from the member's Defined Benefit Supplement account to the Annuitant Reserve also shall terminate. The member's Defined Benefit Supplement account shall be credited with the actuarial equivalent of the member's annuity as of the date the annuity is terminated and the Annuitant Reserve shall be reduced by the amount credited to the member's account.

(b) The actuarial equivalent of the annuity on the date the annuity is terminated shall be calculated using the actuarial assumptions that were in effect on the date the disability annuity became payable. In determining the actuarial equivalent, the age of the member on the date the disability annuity became payable shall be used if the member was receiving a single life annuity. If the member was receiving a joint and survivor annuity, the age of the member and the age of the member's annuity beneficiary on the date the disability allowance or disability retirement allowance became payable shall be used to determine the actuarial equivalent.

(c) If a disability allowance or disability retirement allowance subsequently becomes payable again, an annuity based on the remaining balance of credits in the member's Defined Benefit Supplement account at the time of the subsequent disability or disability retirement becomes payable and the balance of credits in the member's Defined Benefit Supplement account shall be transferred to the Annuitant Reserve.



Article 6. Final Benefits

25020. (a) A final benefit under the Defined Benefit Supplement Program shall become payable to the member's beneficiary when the system receives proof of the member's death.

(b) If the member's death occurs before an annuity under the Defined Benefit Supplement Program becomes payable, the final benefit shall be an amount equal to the balance of credits in the member's Defined Benefit Supplement account on the date of the member's death.

(c) Upon distribution of a final benefit in a lump-sum payment, no other benefit shall be payable under the Defined Benefit Supplement Program to the member's beneficiary.

25021. (a) A beneficiary may elect to receive the final benefit payable under the Defined Benefit Supplement Program as an annuity payable in monthly installments provided the balance of credits in the member's Defined Benefit Supplement account equals at least three thousand five hundred dollars (\$3,500).

(b) A beneficiary who elects to receive an annuity shall elect one of the following forms of payment:

(1) A single life annuity without a cash refund feature. This form of payment is the actuarial equivalent of the amount that would be payable to the beneficiary if the beneficiary elected to receive the final benefit in a lump-sum payment. The annuity shall cease to be payable upon the death of the beneficiary, and no other benefit will be payable under the Defined Benefit Supplement Program because of the death of the member and the member's beneficiary.

(2) A period certain annuity. This form of payment is an annuity equal to the actuarial equivalent of the balance of credits in the member's Defined Benefit Supplement account on the date of the member's death. The annuity shall be payable over a specified number of years, from a minimum of three years to a maximum of 10 years, but not to exceed the life expectancy of the



beneficiary, until the annuity amount paid equals the amount of credits that was in the member's Defined Benefit Supplement account. The beneficiary may designate a payee to receive the remaining balance of payments if the beneficiary's death occurs prior to the end of the period certain.

(c) The actuarial equivalent of the balance of credits in the member's Defined Benefit Supplement account shall reflect increases in annuity payments to be made in the future pursuant to Section 24402, unless the member elected a period certain annuity.

25022. (a) If the death of a member occurs while the member is receiving an annuity under the Defined Benefit Supplement Program, the final benefit shall be payable in accordance with the terms of the annuity elected by the member.

(b) If the member was receiving a single life annuity without a cash refund feature, a final benefit shall not be payable.

(c) If the member was receiving a single life annuity with a cash refund feature, the final benefit shall be payable in a lump-sum to the member's beneficiary.

(d) If the member was receiving a joint and survivor annuity, the annuity shall continue to be paid to the surviving designated annuity beneficiary. If the designated annuity beneficiary predeceases the member, a final benefit shall not be payable.

(e) If the member was receiving a period certain annuity, the remaining balance of payments shall be paid to the annuity beneficiary designated by the member.

25023. (a) Upon the death of an annuity beneficiary who was receiving an annuity under a joint and survivor annuity elected by the member no further payment shall be made.

(b) If the annuity beneficiary was receiving an annuity under a joint and survivor option, no further payment shall be made.

(c) Upon the death of a beneficiary who was receiving a single life annuity without a cash refund feature, no further payment shall be made.



(d) Upon the death of a beneficiary who was receiving a period certain annuity, the remaining balance of payments shall be paid in a lump-sum to the payee designated by the beneficiary pursuant to subdivision (c) of Section 25015.

Article 6. Termination Benefits

25024. (a) Upon the termination of all employment to perform creditable service subject to coverage under the plan for a reason other than retirement, disability, or death, a member shall be eligible for a termination benefit under the Defined Benefit Supplement Program. The member's employer, or employers if the member has multiple employers, shall certify on a form prescribed by the system that the member's employment has been terminated.

(b) A member shall submit an application for a termination benefit on a form prescribed by the system.

(c) The termination benefit shall be a lump-sum payment that is equal to the balance of credits in the member's Defined Benefit Supplement account.

(d) Upon distribution of the termination benefit, no further benefit shall be payable to the member or the member's beneficiary under the Defined Benefit Supplement Program.

25025. A termination benefit under the Defined Benefit Supplement Program shall be payable after one calendar year has elapsed following the date the member terminated employment as specified in Section 25024. If the member performs creditable service within one year of the prior termination of employment, the termination benefit shall not be payable.

25026. The member may cancel an application for a termination benefit at any time prior to distribution of the benefit.



Approved \_\_\_\_\_, 2000

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*Governor*

